



Connecticut Medical Cannabis Council
Finance, Revenue and Bonding Committee
House Bill 5413
February 22, 2023

Senator Fonfara, Representative Horn, Senator Martin, Representative Cheesman and members of the committee:

The Connecticut Medical Cannabis Council (CMCC) would like to offer comments on House Bill 5413, *An Act Authorizing the Deduction of Certain Business Expenses for Cannabis Establishments*. Our members include the four producers in the medical marijuana and adult-use cannabis programs: Advanced Grow Labs (West Haven), CT Pharma (Rocky Hill), Curaleaf (Simsbury) and Theraplant (Watertown). Collectively, we employ hundreds of Connecticut residents in well-paying jobs with competitive benefits, and pay millions of dollars in taxes to the local, state and federal governments.

The Internal Revenue Service, under a rule known as 280E, disallows a range of deductions and credits for cannabis businesses on federal tax forms due to the fact that marijuana is a Schedule 1 controlled substance. These deductions, which are available to other businesses, typically include the cost of employee compensation, rent, utilities, administrative activities and charitable gifts. Although not deductible on federal tax forms, there is no prohibition on a state tax code permitting them. In fact, nine states have “decoupled” their statutes from the federal prohibition. These include the states of California, Colorado, Hawaii, Minnesota, Maryland, Massachusetts, Michigan, New York and Oregon. We understand an additional five states are considering legislation on this issue right now.

Decoupling from the federal prohibition will provide a level playing field for licensed businesses in the medical marijuana program (Chapter 42f) and the adult-use program (Chapter 42h). This will benefit all such businesses, but will be of particular help to smaller entities such as the social equity licensees and other start-ups in the new adult-use cannabis program. The tax savings will help on cash flow and enable businesses to reinvest in their operations to be more competitive in the marketplace.

Thank you for considering the view of the Connecticut Medical Cannabis Council on this bill.